

New Zealand's SMEs: A Snapshot

MYOB Research Analysis

The New Zealand SME

With around 550,000 small and medium sized enterprises (SMEs) in New Zealand¹, the sector comprises a broad range of businesses that are at the heart of our economy and communities. While New Zealand's SMEs represent a large section of the population, there is a lot they have in common that defines how they work, the challenges they face, and the way they respond and adapt to changes in regulation and the business environment.

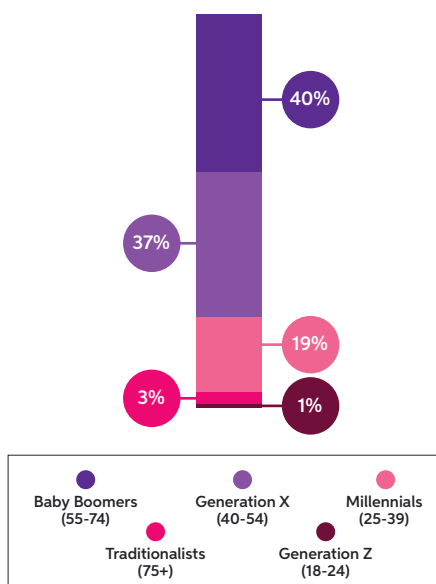
With that in mind, MYOB has combined its latest insights – based on the MYOB Business Monitor survey of more than 1,000 SMEs around the country – as well as a range of other research and Government data sources, to create a picture of the average New Zealand SME.

Who is the typical SME owner or operator?

In many ways, the identity of the average local SME owner is closely tied to the business they have established and are typically involved in on a day-to-day basis.

Age and stage

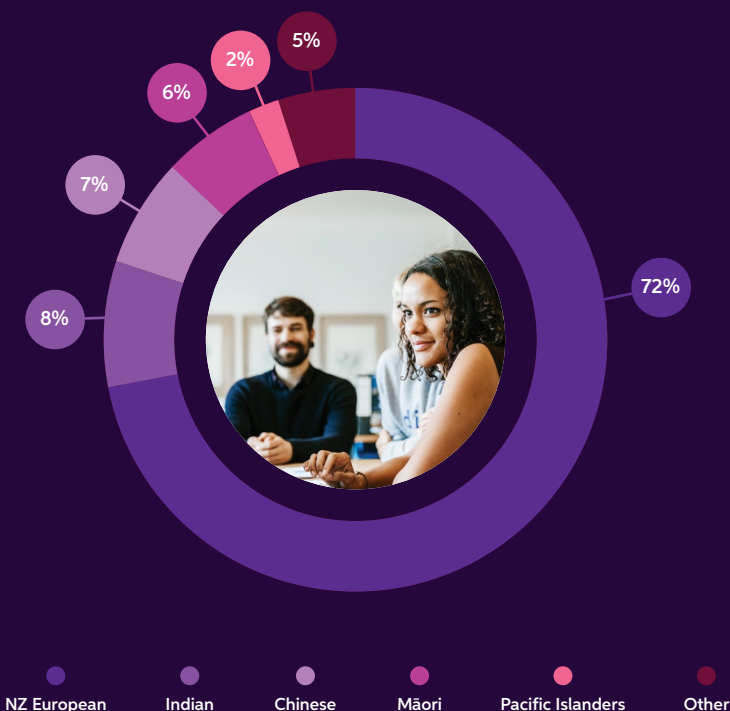
The Baby Boomer generation are just ahead of Gen X in terms of small-to-medium business ownership in New Zealand. However, Millennials are also now starting to make their mark in the local SME sector.



¹ Stats NZ, NZ Business demography statistics, February 2021

Ethnic background

Although seeing a slight rise since 2017, when just 4% of SME owners were Māori and 1% Pasifika, Māori and Pasifika are currently underrepresented in ownership of SMEs in New Zealand, as a proportion of population. While down from 80% in 2017, the majority of businesses are owned by pākehā/NZ Europeans.



Who is the typical SME owner or operator? (continued)

Gender representation

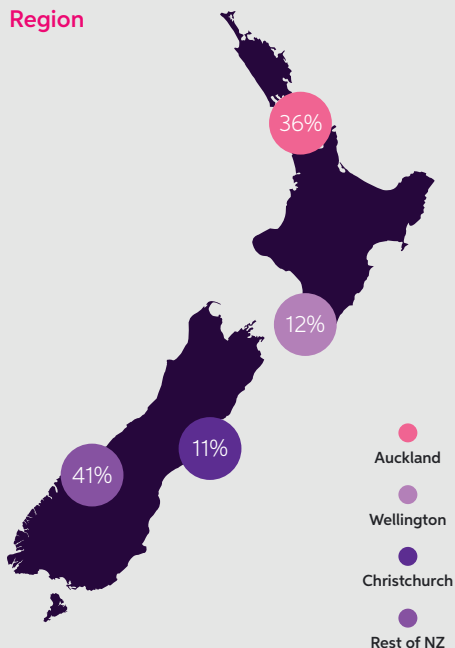
The number of women owning and running their own business has remained static for several years, with women still making up less than 40% of SME ownership in New Zealand.



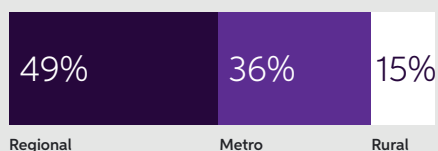
Location, location, location

While, unsurprisingly, our largest city is home to many local SMEs, the majority of our SME owners and operators are not found in our city centres but are instead based throughout regional New Zealand. Only a small proportion live and work in our rural communities.

Region

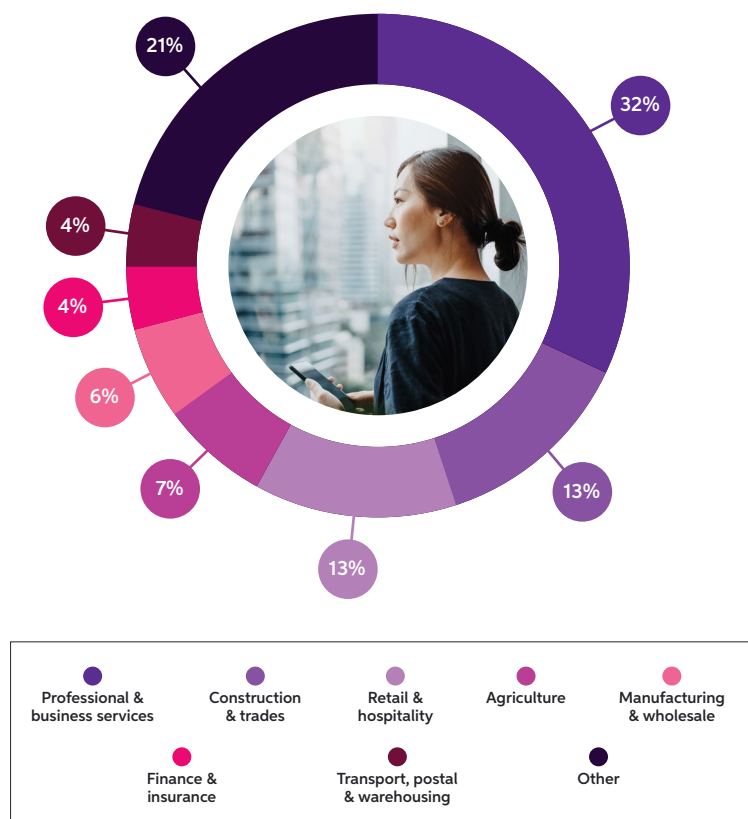


Location



Business sectors

From accounting and ICT to real estate and law, a large majority of our SMEs work in the professional and business services sector. The more 'traditional' small businesses, such as offering a trade or running a shop or cafe, account for a smaller proportion of New Zealand's SME sector.



Employment

While most small businesses in New Zealand are sole-operator organisations, the SME sector remains an important source of local employment, providing jobs for 28% of the New Zealand workforce².



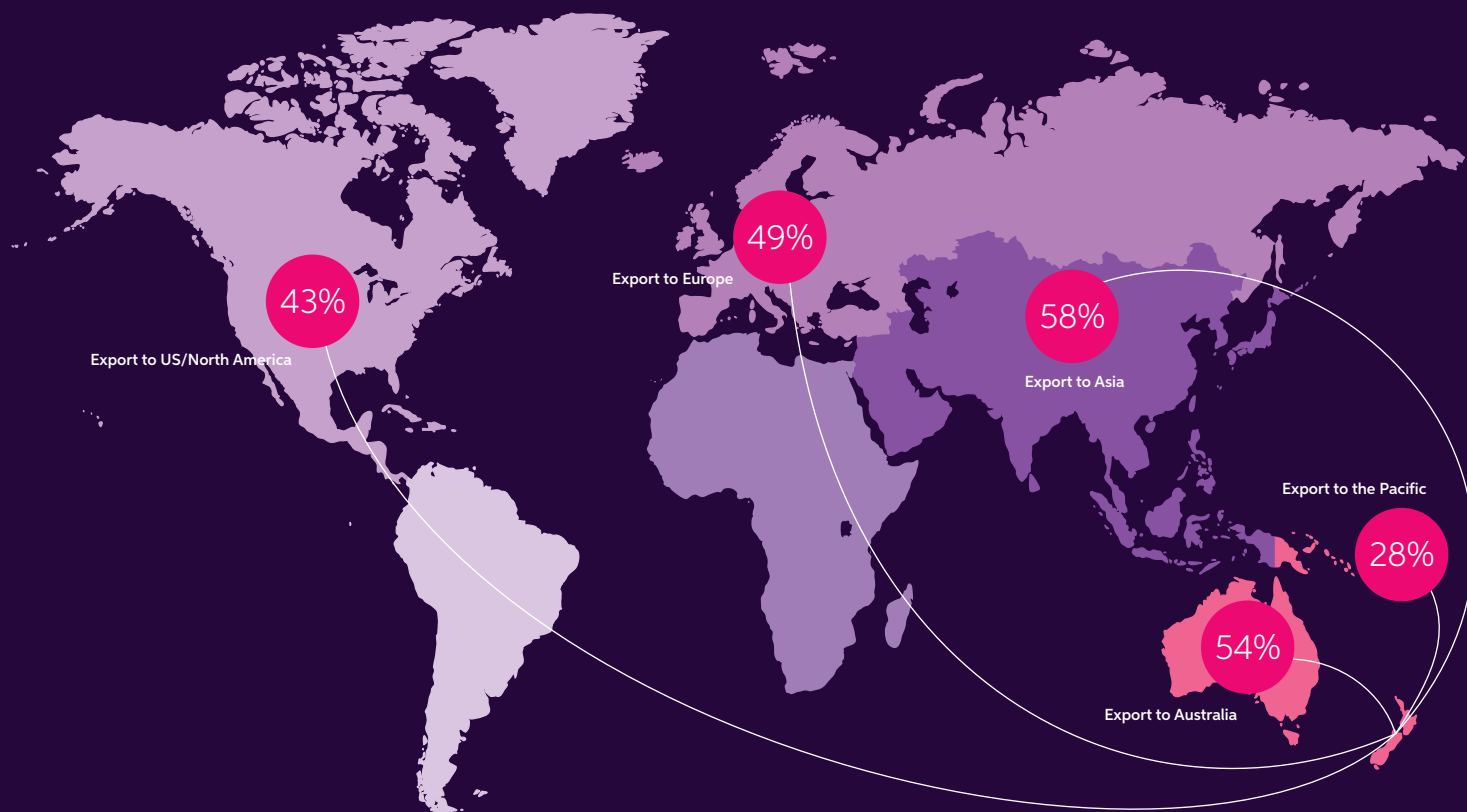
² MBIE, Small Business in New Zealand, September 2020

Where are our SMEs doing business overseas?

Top export destinations

Our SME sector is mostly focused on supplying the domestic market. However, a significant proportion, 15% (equivalent to 82,000 businesses), are exporting their goods and services to many of our major trading partners. Interestingly, Asia has now outgrown Australia as the primary export market.

Exporting targets (of the 15% who export)

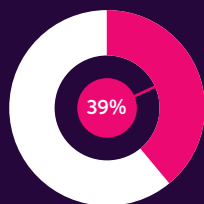


What's driving our SMEs?

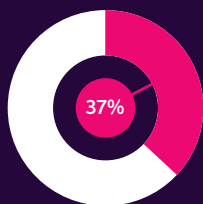
While demographic data makes up part of the story, to build a true picture of our local SMEs we also need to understand what motivates and challenges them.

Reasons for starting up

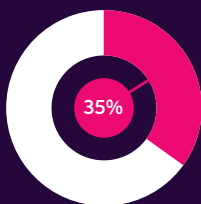
For most SME owners, following their passion and creating a role that fits their lifestyle are equally important factors behind why they started their business, as is making money.



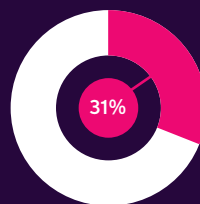
Said because they are passionate about what they do



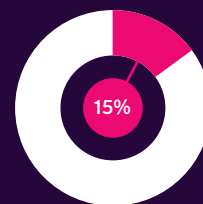
Needed flexibility in a role to do what they want, when they want



Wanted to make enough money to live on



Wanted a total lifestyle change from what they were doing

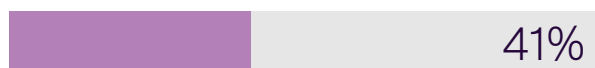


Started it as an investment strategy to make more money for the future

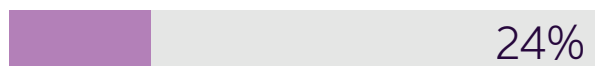


Our start-up environment

While New Zealand typically ranks among the top countries in the world in terms of starting up and doing business³, our SME owners are fairly evenly split in their opinions over whether New Zealand is a good place to start a business.



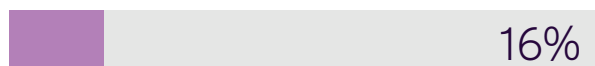
Neither agree nor disagree



Agree (4% strongly)



Disagree (8% strongly)



Don't know

³ World Bank Group, Doing Business in New Zealand, 2020

Top start-up concerns

Naturally, as they start, the top concern among local SME owners is selling their goods and services, and raising the funds necessary to get started. However, local business owners also worry about their own abilities and business networks when they are first getting established.



37%

Customers/sales



27%

Confidence in their abilities



26%

A lack of personal finance



16%

A lack of business networks



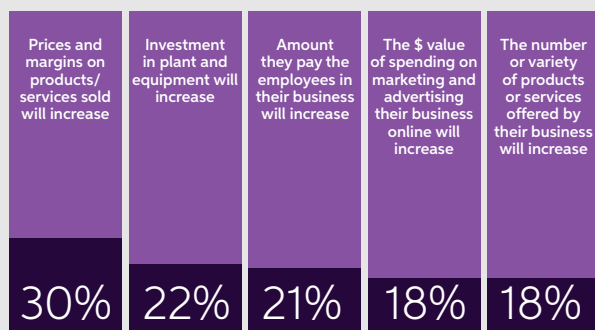
16%

Uncertainty around the wider business and political landscape

Where's the focus now?

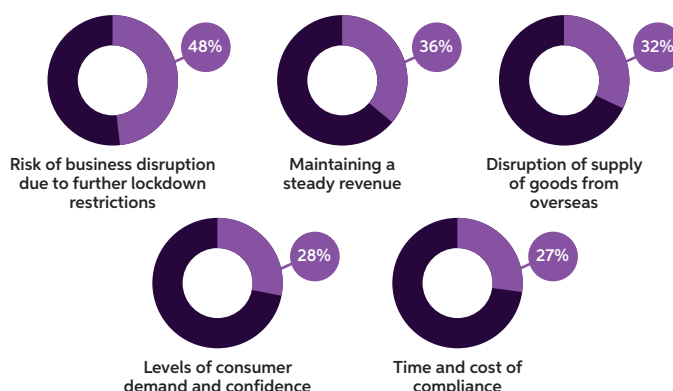
Investment priorities

Over the 2022-year, inflation will continue to be a key factor driving business decisions of local SME owners, as almost a third increase their prices – for many to keep pace with their own costs of supply – and a fifth aim to raise wages and salaries.



Key challenges

The ongoing impacts of COVID-19 are continuing to create real challenges for local SMEs, who are concerned about the potential for new restrictions, the economic fallout and a disrupted supply chain.



Top ambitions

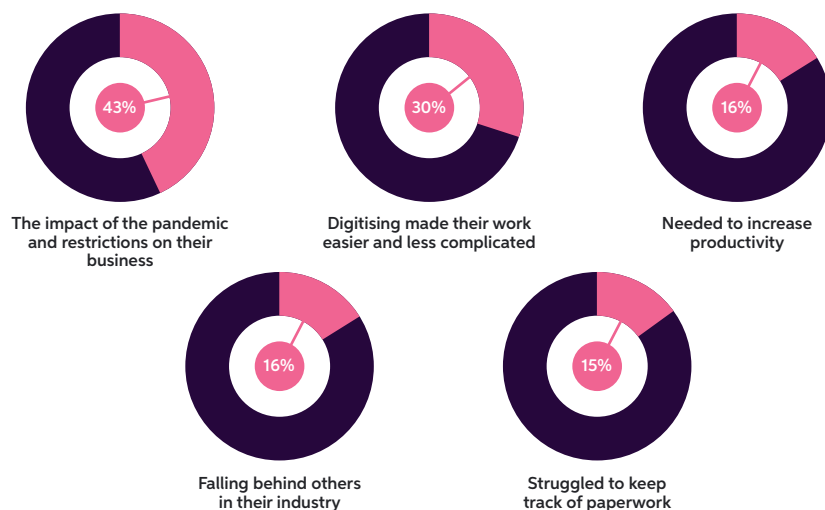
Despite the current challenges they are facing, over the next two years, the majority of SME owners are focused on growth and diversification. A fifth, however, plan to get out of their business altogether.



Digital tools and investment

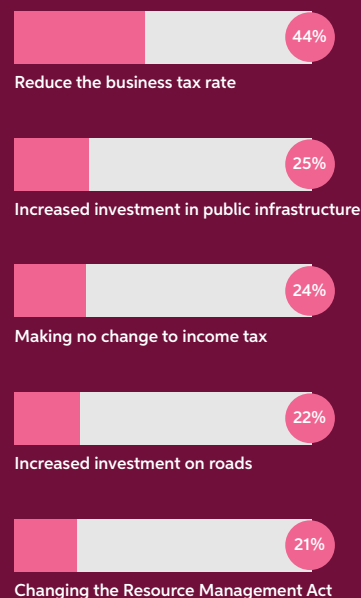
The majority of SMEs (59%) conduct half or more of their business using digital technology, tools and software. However, nearly a third (30%) of SMEs appear to be reaching the limits of digitising more of their business and won't make any changes in the next 12 months. This is because they have digitised as much as they can (28%), don't see any greater benefits (26%) or are not interested in doing so (19%).⁴

Drivers of digitisation



Government support

Tax and infrastructure are the key areas local businesses want to see addressed in any political party policies.



⁴ MYOB 2022 Technology Snapshot, February 2022

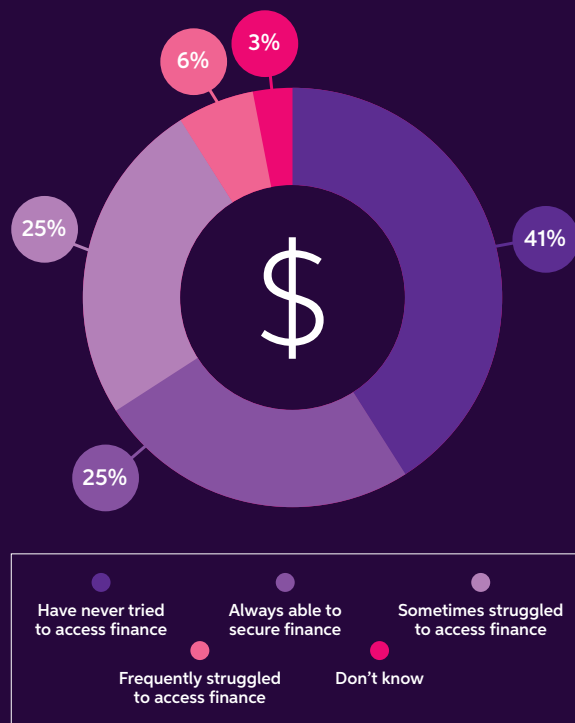
What about SME finances?

At the end of Q1 2022, both income and profitability were down among New Zealand's SMEs. Just over two-in-five (43%) SMEs reported their revenue was down on a year ago, while only 17% said their revenue had increased. Half (50%) of local SMEs said their business was less profitable over the last quarter, with just 15% reporting an increase in profitability. Income levels in July showed a similar trend, with 44% reporting their year-on-year revenue was down and just 17% up, while 39% reported less work in their pipeline for the third quarter of 2022 (22% more).⁵

Access to finance

New Zealand's SMEs traditionally rely on private funding sources, from bank overdrafts (50%), personal loans or mortgages over the family home (41%) or their credit card (36%).

While a large number of local SMEs have never attempted to access business finance, almost a third have sometimes or frequently struggled to secure additional funding.



Impacts of limited access to finance



Invoicing and payments

The median number of invoices sent and received per month – an indicator of the scale of business activity – are both down considerably over the last five years. Since 2017, the number of monthly invoices sent and received by local SMEs has fallen by 40%⁶.

Invoices sent
per month

8

Median number of bills
sent

Invoices received
per month

17

Median number of bills
received

Payment times have improved, however, reducing by two days in the last five years according to MYOB data. In the first quarter of 2022, more than a quarter (28%) of SME owners said they sometimes struggle with late payments from customers, while 9% said they experienced it often or always.

Invoice payment times
– NZ average

27

Days in 2022



⁵MYOB Snapshot, July 2022

⁶MYOB, July 2022



Supporting local SMEs

Country or town, old or young, following a passion or pursuing an export-led growth strategy, there are many types of SME owners in New Zealand.

Regardless of where and who they are though, they all make a major commitment to our economy, while providing more choices and more opportunities for our local communities.

The last few years have been particularly tough for local businesses, which is why understanding their needs has never been more important – and backing them has never been more vital. Part of our mission is to help local businesses survive – and thrive – in any market. Sharing this information is an important part of building greater understanding and recognition for our SMEs.

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The MYOB Business Monitor

Running since 2009, The MYOB Business Monitor is a national survey of 1,000+ New Zealand small and medium business owners, managers and directors, from sole traders to mid-sized companies, representing the major industry sectors. The Monitor researches business performance and attitudes in areas such as profitability, cash flow, pipeline, technology usage and the government.

The 2022 Business Monitor survey was conducted by independent market research firm Kantar, from February 3rd - March 7th 2022, and polled a national sample of 1,006 SMEs. All data has been weighted by industry type, location and number of employees, which are in line with Statistics New Zealand (New Zealand Business Demography Statistics: At February 2021: ISSN 1174-1988).

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